Decision **PROPOSED DECISION OF ALJ EDMISTER** (Mailed 5/12/2015)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Approval of 2013-2014 Energy Efficiency Programs and Budget (U39M)	Application 12-07-001 (Filed July 2, 2012)
And Related Matters.	Application 12-07-002 Application 12-07-003 Application 12-07-004

DECISION PARTIALLY MODIFYING DECISION 13-09-044 AND RESOLUTION E-4680 IMPLEMENTING ENERGY EFFICIENCY FINANCING PILOT PROGRAMS

Table of Contents

Title **Page**

Table of Contents
Con't.

Title **Page**

DECISION PARTIALLY MODIFYING DECISION 13-09-044 AND RESOLUTION E-4680 IMPLEMENTING ENERGY EFFICIENCY FINANCING PILOT PROGRAMS

Summary

In Decision (D.) 13-09-044[1] the Commission allocated $65.9 million to run pilots of energy efficiency finance programs (finance pilots). These finance pilots are to test whether incentives attract private capital to fund energy efficiency activities. In D.13-09-044, we designated the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) as the "hub" for the finance pilots.

On March 9, 2015, CAEATFA asked for a variety of changes to D.13-09-044 and to Resolution E-4680.[2] This decision modifies D.13-09-044 in response to CAEATFA's letter, which we have treated as a petition for modification. Specifically, this decision:

1. Extends the finance pilots' terms beyond 2015 so that each pilot is funded for a full 24 months of operation, clarifies when the 24-month pilot terms begin, and acknowledges that loans issued during the pilot terms will have ongoing administrative expenses beyond the pilot terms;

2. Grants flexibility to partially enroll loans, except for loans using the on-bill repayment feature;

3. Clarifies that government entities are eligible borrowers in the non-residential on-bill repayment pilot; and

---

[1] Decision 13-09-044 was mailed on September 20, 2013.

[2] On Bill Repayment Tariffs.

4. Modifies the process for revising the on-bill repayment tariffs, and for filing Information Technology Advice Letters.

The remainder of CAEATFA's requested modifications will be addressed later in this proceeding.

1. Introduction

California's Energy Action Plan (EAP) established a hierarchy of energy resources, with preferred resources such as conservation and energy efficiency at the top of the list.[3] Before we buy more energy, goes the thinking, the best thing for both the environment and our wallets is to use less. Our direction of roughly $1 billion per year to conservation and energy efficiency programs reflects our commitment to energy efficiency as a preferred resource.

To reach the State's energy savings goals, we need to reduce barriers to participation in energy efficiency programs. This is particularly true in hard-to-reach market segments such as building retrofits. One promising avenue that we have recently explored is leveraging ratepayer funds. In Decision (D.) 13-09-044 we approved a suite of energy efficiency financing pilot programs (finance pilots). These programs use ratepayer funds to incentivize financial institutions to lend money for efficiency investments.

This decision reflects the California Public Utilities Commission's (Commission) continued commitment to energy efficiency and to financing programs as a way to spur energy efficiency investment.

---

[3] *See also* Cal. Pub. Util. Code § 454.5(b)(9)(C), requiring electrical corporations to "first meet [] unmet resource needs through all available energy efficiency and demand reduction resources that are cost effective, reliable, and feasible."

2. Factual Background

As part of the implementation of the financing pilots, D.13-09-044 established an "administrative hub", the California Hub for Energy Efficiency Financing (CHEEF).[4] The CHEEF's role is to coordinate among various market participants, manage funds and data, and "increase the flow of private capital to energy efficiency projects" by offering a standardized open market.[5]

In D.13-09-044, we asked the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) to be the CHEEF. CAEATFA was willing to take on that role.

While the Commission approved the decision setting the pilot design and budget allocation in September of 2013, CAEATFA only obtained Legislative budget authority to act as CHEEF in July 2014. The investor owned-utilities (IOUs), that were ordered in D.13-09-044 to fund CHEEF operations, could not provide CAEATFA with funds until the following September, when the IOUs executed contracts with CAEATFA. Only then was CAEATFA able to begin hiring staff, and contracting with a master servicer and a trustee bank.

In January 2015, CAEATFA's board approved contracts with:

- U.S. Bank Global Trustee Services (as trustee bank for the CHEEF);[6] and
- Concord Servicing Corp. (as master servicer for the CHEEF).

---

[4] D.13-09-044 at 65.

[5] D.13-09-044 at 3.

[6] This contract requires approval by another state agency. Approval is pending.

In addition, CAEATFA's board approved emergency regulations for the Residential Energy Efficiency Loan (REEL) Assistance Program (single family loan loss reserve pilot)[7] on February 17, 2015. The Office of Administrative Law (OAL) notified CAEATFA on March 9, 2015 that OAL had approved the emergency regulations.

On March 9, 2015, CAEATFA sent a letter to the Commission's Energy Division Director. In its letter, CAEATFA asks for a variety of "modifications to [D.13-09-044] that would help support the success of the [finance pilots]." Specifically, CAEATFA proposed the following modifications, which it listed in order of priority:

I. Extension of the Pilot Term.

II. Flexibility to Partially Enroll Loans.

III. Broadened Scope of Eligible Energy Efficiency Measures.

IV. Removal of Requirement to Competitively Select Lease Providers for Small Business Pilots.

V. Clarification Regarding the Inclusion of Government Entities as Eligible Borrowers in the Non-Residential OBR Pilot.

VI. Expansion of Eligible Financial Products and Credit Enhancement Support Structures.

---

[7] CAEATFA held several public meetings to gather stakeholder input on program design. In October 2014, CAEATFA held three regional lender and contractor roundtables to discuss the preliminary structure of the REEL Assistance Program. In December 2014, after incorporating public input, CAEATFA held a workshop on the proposed emergency regulations for the REEL Assistance program. CAEATFA released a second draft of the proposed regulations for additional public comment on January 20, 2015.
http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M148/K824/148824390.PDF

VII. Modifications to Process for Revising the On-Bill Repayment Tariffs.

On March 25, 2015 the assigned Commissioner and Administrative Law Judge (ALJ) issued a ruling (ACR)[8] stating that: (1) the March 9 letter will be treated as a Petition for Modification, (2) responses to the March 9 letter must be filed by Friday April 3, 2015, and (3) CAEATFA may reply to responses by Friday, April 10, 2015. Southern California Gas Company and San Diego Gas and Electric Company (collectively, Joint Utilities), Southern California Edison Company (SCE), Pacific Gas and Electric Company (PG&E), The Natural Resources Defense Council (NRDC), Office of Ratepayer Advocates (ORA), Center for Sustainable Energy (CSE) were timely filed. The California Housing Partnership Corporation (CHPC) filed a late response on April 10, 2015. CAEATFA filed Reply Comments April 10, 2015.

As the ACR observed, ordinarily the vehicle by which one would seek to modify a Commission Decision is a Petition for Modification (PFM) pursuant to Commission Rule of Practice and Procedure 16.4. With respect to sister agencies such as CAEATFA, however, we have accepted alternative methods of requesting modifications.[9] The ACR concluded, and we agree, that since the

[8] *Ibid.*

[9] *See, e.g.,* D.04-10-020 at 5: "On April 17, 2003, DWR submitted a memorandum requesting that the Commission consider two modifications to D.03-04-029 and the Operating Agreements. Procedurally, DWR's April 17, 2003, memorandum will be treated as a Petition for Modification of D.03-04-029."

March 9 letter largely[10] conformed to Rule 16.4, it was appropriate to treat CAEATFA's March 9 letter as a Petition for Modification.

3. Commission Expectations Regarding the Finance Pilots

The finance pilots are to develop "scalable and leveraged financing products to stimulate deeper energy efficiency projects than previously achieved through traditional program approaches."[11] The primary objective of the finance pilots is to attract and leverage private capital to advance energy efficiency projects and savings. Accordingly, we want to assure financial institutions of the Commission's commitment to the finance pilots, so that they in turn will have the confidence to develop and introduce new products, procedures, and market-facing business activities.

We expect the $65.9 million authorized in D.13-09-044[12] will fund the finance pilots for the full two years of operation, and as necessary to support extant loans for their full term if/when the finance pilots end. However, the Commission also recognized in D.13-09-044 that many variables may affect the rollout of the finance pilots, and that we may need to adjust program budgets. For this reason, the Commission directed Commission Staff to hold a mid-pilot public workshop to review pilot performance and, in conjunction with CAEATFA and the IOUs, to discuss allocation of the $9.3 reserve remaining from

---

[10] The one caveat is that the March 9 letter does not contain "specific wording to carry out all requested modifications to the decision," as required by Rule 16.4. In their comments, the Joint Utilities ask CAEATFA to provide "to the service list . . . their requested wording changes to the decision." We have sufficient clarity on the CAEATFA-requested changes to act as we have on the limited issues that we address in this decision. We may request more specific wording from CAEATFA on the remaining issues when we take them up.

[11] D.13-09-044 at 3.

[12] *Id.*

the original $75.2 million authorized in D.12-11-015[13] approving 2013-2014 Energy Efficiency Programs and Budgets.

4. Issues before the Commission

CAEATFA's March 9 letter identified several components of D.13-09-044 and also of Resolution E-4680 that "present challenges to program development and implementation."[14] We appreciate that CAEATFA has identified the need for resolution on at least some of these issues in time for the current 2015-2016 fiscal year Legislative budget process.[15] Thus we address only the following time-critical/or uncontroversial issues now:

1) Extension of the Pilot Term.
    a) Further clarification on the commencement of the 24-month term of the finance pilot programs; funding extension beyond 2015; and
    b) Formal acknowledgement of the finance pilot programs' need for continued administrative support beyond the end of the 24-month pilot term.
2) Flexibility to "partially enroll" loans.
3) Clarification regarding the inclusion of Government Entities as eligible borrowers in the non-residential on-bill repayment (OBR) Pilot.
4) Modifications to the process for revising the OBR Tariffs.

---

13 D.13-09-044 at 91.

14 CAEATFA March 9, 2015 letter at 1.

15 CAEATFA April 10, 2015 Reply Comments.

We will take up CAEATFA's remaining issues (e.g., eligible Energy Efficiency (EE) measures, competitive selection of lease providers for small business pilots) later in this proceeding. We note that CAEATFA has stated that it does not intend to delay its implementation processes during the Commission's deliberations. CAEATFA will continue to move forward as authorized in D.13-09-044 so as to not further delay the launch of the finance pilots.

5. Discussion and Analysis

5.1. Extension of Pilot Term

5.1.1. Clarification on the commencement of the 24-month term of the finance pilot programs; funding extension beyond 2015

In its letter, CAEATFA recommended that the 24-month clock for all pilot programs begin with the enrollment of the *first* loan in the *last* pilot to launch. Parties generally concurred with CAEATFA's recommendation, with the exception of SCE. SCE requested that we qualify the permissible time for the finance pilots by providing that each pilot will run for 24 months from the time of the first enrolled loan in the last finance pilot to launch, but not exceed a total running time of 30 months for any single pilot.[16]

D.13-09-044 contemplated that the finance pilots would operate for a minimum of 24 months and longer if they prove successful. However, D.13-09-044 funded the finance pilots only through 2015.[17] The assigned

[16] SCE Response to PFM at 3.

[17] D.13-09-044 at 19-20 ("the Commission finds it reasonable to authorize the pilot programs to operate from the date of the decision until the end of 2015. We anticipate that the Commission will undertake an evaluation of these programs, including whether to modify, extend, or

Footnote continued on next page

Commissioner's Ruling[18] dated August 25, 2014, stated that "[e]ach finance pilot shall operate for a minimum of 24 months, beginning at the point that each pilot program begins operation, and shall provide for support of loans made under the program for the duration of the loan terms even if/when a pilot ends."

As stated above, CAEATFA only obtained Legislative budget authority to act as CHEEF as of July 2014. Consequently, the IOUs could not provide CAEATFA with funds for CHEEF until September 2014, when the IOUs executed contracts with CAEATFA. Only then was CAEATFA able to begin hiring staff, contracting with a master servicer and trustee bank to create CHEEF. One practical impact of this slippage from the schedule set out in D.13-09-044 is that some finance pilots will hit the end of their funding period before they have been operating for two years (or, for some of the finance pilots, before operating at all).

D.13-09-044 approved three residential EE financing pilot programs. One program supports lending to the single family market sector, complemented by a sub-pilot in PG&E territory which allows the loan payment to appear as an itemized charge on the utility bill. A third pilot program targets a segment of the multifamily market: master-metered multifamily buildings that house primarily low and moderate income households. D.13-09-044 also authorized three non-residential EE financing pilot programs, two for small businesses, and expands on-bill utility collection of the monthly finance payments.

---

defund them, in conjunction with the next Commission proceeding to consider EE programs and budgets for 2016 and beyond.").

[18] http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M103/K390/103390632.PDF

5.1.1.1. Discussion/Analysis

As for how we calculate the running of the 24 months, we decline to adopt CAEATFA's recommendation that the 24- month clock for all finance pilot programs begin with the enrollment of the first loan in the last finance pilot to launch. When that approach is combined with staggered rollouts of the various finance pilots, the net effect is authorization for the first finance pilot lasting longer–potentially much longer than two years. We want to avoid this scenario and maintain a more definitive end date to the finance pilots until they demonstrate any benefits.

Given the number of interdependencies impacting the launch of the programs and subsequent collection of participant data, we conclude that the 24-month term of *each* finance pilot should align with the enrollment of the first loan in *each* finance pilot launch. That is, *each* finance pilot will have an independent 24-month schedule initiated by the enrollment of the first loan in that particular finance pilot[19]. Funding will follow accordingly. We believe this approach addresses SCE's concerns since each finance pilot's 24 month minimum operation will be independent of the unexpected delays of individual finance pilots. Our approach has the additional advantage of being able to accommodate staggered rollout of the finance pilots over more than six months without further modification.

---

[19] CAEATFA will administer only one pilot for all the utilities. It is conceivable that each utility will begin a pilot at different dates. In that case, the start date for the pilot is that of the earliest pilot start date for any PA. It does not matter if different PA's roll out later, the clock will have already started.

We modify D.13-09-044 to provide 24 months of funding for each pilot. We eliminate the December 2015 "sunset" date for the finance pilots adopted in D.13-09-044.

5.1.2. Administrative Support for the Duration of Supported Loans

CAEATFA, in its letter, asked the Commission to formally acknowledge that the pilot programs would have continued administrative needs for up to 15 years after the end of the 24-month pilot term. CAEATFA points out that loan servicing obligations may last the life of program loans, regardless of whether the finance pilots end after two years. CAEATFA seeks this acknowledgement in connection with the State budget cycle for the 2015 -2016 fiscal year.

Parties either concurred in this or did not object to this request. The Joint Utilities requested that the approach to ensuring budgets provide administrative support to all parties be addressed during the mid-point review.[20] ORA recommended that the Commission approve CAEATFA's request and require that CAEATFA file a Tier 2 Advice Letter (AL) mid-way through pilot implementation.[21]

The Commission appreciates of the legislature's oversight of CAEATFA's authority to conduct these finance pilots. The Commission supports CAEATFA's efforts to secure resources commensurate with the longevity of the loans issued under the pilot programs.

---

[20] Joint Utilities Comments to PFM at 3.

[21] ORA Comments to PFM at 8.

5.2. Partial Enrollment

CAEATFA defines "partial enrollment" as "allow[ing] projects to include the installation of other home improvements and distributed generation technologies as part of the non-enrolled (not credit-enhanced) portion of a loan/lease."[22] CAEATFA contends that allowing for the partial enrollment of loans in the off-bill pilot programs will "support increased transaction volume and overall impact and effectiveness of the finance pilots. Partial enrollments would enable lenders to offer loans for broader project scopes, while continuing to target and limit ratepayer-funded credit enhancements solely to eligible improvements as defined in the pilot program regulations."[23] CAEATFA recommends that we do not place limits on partial enrollment since "credit enhancements only apply to the enrolled portion of the loan, ratepayer funds would not be supporting the non-enrolled portion of the loan."[24]

A simple example illustrates how partial enrollment could work. Suppose a homeowner takes out a single loan for $20,000. Of that amount, the owner puts $7,000 towards eligible energy efficiency measures (EEEMs). The balance of the loan goes to other home improvements. Partial enrollment would permit CAEATFA to enroll the whole $20,000 loan in the program; however, CAEATFA would then calculate the applicable credit enhancement based on those measures eligible for credit enhancement. In this case, up to $10,000 of the loan would be eligible for calculating the applicable credit enhancements; $7,000 for the EEEMs,

---

[22] March 9, 2015 letter at 3.

[23] *Id.*

[24] *Id.*

and $3,000 (30%) for non-EEEMs,[25] assuming that the non-EEEMs are not for distributed generation, which were restricted by the Commission in D.13-09-044. The $10,000 balance of the loan would not be credit enhanced, and we are not requiring any limitations on use of those funds.

In its comments, SCE[26] does not support CAEATFA's recommendation that no limitation be placed on partial enrollment and that the Commission allow projects to include the installation of other home improvements and distributed generation technologies as part of the non-enrolled (not credit-enhanced) portion of a loan/lease. However, SCE agrees with CAEATFA that, if the Commission does allow flexibility for partial enrollments, such flexibility should not extend to finance pilots with the on-bill repayment feature.[27] The Joint Utilities[28] support CAEATFA's proposal with the condition that the allowance of flexibility for partial enrollments should not extend to finance pilots with the on-bill repayment feature. PG&E supports CAEATFA's suggestion to allow participating lenders and financial institutions to partially enroll loans for the two off-bill financing pilots. PG&E further suggests that lenders participating in the OBR finance pilots should also be able to partially enroll loans for distributed generation measures.[29] CSE strongly supports CAEATFA's recommendation.[30]

---

[25] We are not making any changes here with respect to the percentage of a credit enhanced loan, or, by extension the percentage of the credit enhanced portion of a partially enrolled loan, that may go to non-EEEM spending.

[26] SCE Response to PFM at 4.

[27] Comments of SCE to PFM at 4.

[28] Comments of Joint Utilities to PFM at 5.

[29] PG&E Response to PFM at 3.

[30] CES Response to PFM at 3.

In D.13-09-044, we allowed the use of credit enhancements *even for portions of loans not spent on EE measures*.[31] We did not address non-enrolled portion of a loan.

We are willing to allow borrowers to use the portion of loans that are not credit enhanced to go towards non-EE activity. Consistent with D.13-09-044[32] "Lowering the barriers to energy efficiency retrofits and financing, particularly in under-served market sectors is also critical to reaching the state's goals and reduced energy consumption." Partial enrollment of loans will enable lenders to offer loans for broader project scopes thereby encouraging a borrower to take on retrofits that help achieve greater energy savings. However, partial enrollment is only appropriate for the off-bill finance pilots. We do not want jurisdictional utilities, in effect, servicing loans that are not sufficiently tied to energy efficiency to be fully credit enhanced.

---

[31] Subject to a limit of 30% of loan value. D.13-09-044 at 31.

[32] SCE Response to PFM, April 3, 2015 at 2.

5.3. Government Entity Eligibility to Borrow in the Non-Residential OBR Pilot

CAEATFA asks the Commission to clarify that government buildings are eligible for the Nonresidential On-Bill Repayment without Credit Enhancement Pilot (Nonresidential OBR Pilot). CAEATFA states that there is interest from stakeholders in allowing government buildings to participate in the nonresidential OBR pilot.

There were no objections from parties. SCE agreed with CAEATFA and added that SCE does not interpret D.13-09-044 to prohibit the IOUs from offering OBR to government customers.[33] PG&E made similar comments as SCE.[34]

D.13-09-044 states that non-residential OBR pilot should "be made available to all sizes of non-residential utility customers."[35] Because these customers could include government entities, such government entities are eligible borrowers under the nonresidential OBR pilot.

5.4. Modifications to the Process for Revising IOU On-Bill Repayment Tariffs

Ordering Paragraph 5 of Resolution E-4680, which further effectuated D.13-09-044, requires:

> The Joint Utilities shall refile these approved [OBR] tariffs within 30 days after CAEATFA hires the master servicer, making revisions directed by Commission staff, if Commission staff in consultation with CAEATFA determines it is necessary to make revisions.

33 SCE Response to PFM at 7.

34 PG&E Comments to PFM at 4.

35 D.13-09-044 at 64.

CAEATFA asks the Commission to modify the process for the OBR tariff refiling. CAEATFA proposes that within the first 30 days of contracting with the Master Servicer, the Commission and CAEATFA staff will consider whether changes to the OBR tariffs are necessary and communicate any requested changes to the IOUs. Instead of tying the OBR tariff re-filings to the initial 30-day period, the trigger date could be within 15-30 days of receiving requested amendments to the tariffs from the Commission staff and CAEATFA. CAEATFA further requested clarification on the process by which future modifications to the OBR tariffs could be made.[36]

The Joint Utilities generally support this proposal as described, but ask that the Commission also make a corresponding modification to the timing for filing the Information Technology (IT) AL. This AL is to contain an updated estimate of IT costs as required by D.13-09-044. According to the Joint Utilities, the IT activities/costs would be potentially impacted by any amendment to the current tariff.[37] PG&E supports CAEATFA's proposed changes to the deadline for any re-filing of the OBR Tariffs and suggests that Ordering Paragraph 17 of D.13-09-044 be modified to require the IOUs to file a Tier 1 AL for the IT changes necessary to implement OBR, along with updated cost estimates and integration with other projects.[38] SCE also supports CAEATFA's recommendation regarding the re-filing OBR dates.[39]

---

[36] CAETFA March 9 Letter at 7.

[37] D.13-09-044, Ordering Paragraph 17.

[38] PG&E Comments on PFM at 4.

[39] SCE Comments on PFM at 8.

We conclude that changes to the requirements of D.13-09-044 re: the IT AL, and to Resolution E-4680, re: OBR tariff re-filing dates are in order. The Commission and CAEATFA staff will tell each IOU within 30 days of this decision whether or not the IOU needs to re-file its OBR tariff. The OBR tariff re-filing AL (if needed) and the IT AL will be due within 30 days after staff notification. Future amendments to the OBR Tariffs can only be effectuated through formal submissions to the Commission through the AL process.

Therefore, Ordering Paragraph (OP) 5 of Resolution E-4680 will be modified to read as follows:

> Within 30 days of this decision, Commission staff in consultation with CAEATFA will determine whether revisions to on-bill repayment tariffs (OBR Tariffs), are needed or not, and will notify Pacific Gas and Electric Company, San Diego Gas and Electric Company, Southern California Edison Company, and Southern California Gas Company (IOUs) of whether or not the IOUs need to re-file their OBR Tariffs. Within 30 days of Commission staff directing them whether or not to revise the OBR Tariffs, the IOUs shall file Tier 2 advice letters containing (1) information technology cost information as described in OP 17 of D.13-09-044 and (2) if previously directed by staff, revised OBR Tariffs.

Ordering Paragraph 17 of D.13-09-044 is modified to read as follows:

a. Within thirty (30) days of the date of this decision, the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) and Commission staff will tell Pacific Gas and Electric Company, San Diego Gas and Electric Company, Southern California Edison Company, and Southern California Gas Company (IOUs) whether or not to revise the OBR Tariffs. The IOUs shall each file a Tier 2 Advice Letter (AL) within 30 days after staff notification. The IOUs shall each file a Tier 2 AL supporting an updated estimate of the

Information Technology (IT) changes necessary to implement On-Bill Repayment and other features of the authorized finance pilots (IT advice letters), and serve the IT AL on the service list for this proceeding. The IT AL shall include information about economies achieved by integrating these upgrades with previously funded and scheduled IT capital projects.

b. Total allocations approved as a result of the IT advice letters shall be limited to IT-related costs in whole, or part, applicable to administration of the EE Finance pilots and related data collection. If an IOU requests funds in excess of the allocations set forth in Section 12 for Information Technology (Line 6b), then the amounts must be supported by sufficient documentation and explanation so as to be determined reasonable.

5.5. Timing of Mid-Cycle Review

While CAEATFA did not mention the timing of the mid-cycle review, we clarify now that this mid-point review should occur after the first pilot's first year of operation, and that as part of the mid-point review we will take up funding for marketing, education, and outreach associated with the finance pilots. We recognize that if there is a staggered launch of the finance pilots we may lack data on some finance pilots at the time of the review. If this is so, we will cover what we can and set another review for later.

CSE requested clarification regarding the timing of the mid-pilot review that D.13-09-044 directed.[40] The Joint Utilities requested that the approach to ensuring budgets provide administrate support to all parties be addressed

[40] CSE Response to PFM at 3.

during the mid-point review.[41] ORA recommended that the Commission approve CAEATFA's request and require CAEATFA file a Tier 2 AL mid-way through pilot implementation.[42] We decline to adopt more prescriptive approaches to the mid-cycle review now, with one exception. We accept CSE's request to harmonize the midpoint review with the Disposition Letter for the Marketing Plan. To clarify, the Energy Division Disposition Letter dated February 3, 2015 approved CSE's Advice Letter 53-A.[43] In AL 53-A CSE requested approval of the Energy Upgrade California statewide financing pilots marketing education & outreach plan, (marketing plan). The disposition also approved CSE's proposal in the marketing plan to allocate a $1.3 million marketing reserve budget, through a Tier 1 Advice Letter at the mid-point of the pilots, but assumed the mid-point review would occur in March 2016. This decision aligns the mid-cycle advice filing with the mid-cycle review as defined by this decision. 30 days after the mid-cycle review, the statewide Marketing, Education, and Outreach (ME&O) coordinator (currently, CSE) shall file a Tier 1 AL identifying the budget allocation for Financing ME&O, pursuant to the disposition letter.

6. Categorization and Need for Hearing

We reaffirm the categorization of the proceeding as ratesetting, and the determination that hearings are not necessary.

---

[41] Joint Utilities Comments to PFM at 3.

[42] ORA Comments to PFM at 8.

[43] Link to Disposition Letter

7. Comments on Proposed Decision

The proposed decision of the ALJ in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on June 1, 2015 by PG&E, SCE, Joint Utilities, CSE, BayREN and CAEATFA. Reply comments were filed on June 8, 2015 by PG&E, SCE, Joint Utilities, and CAEATFA.

7.1. Comments on Partial Enrollment and Non-EEEMs

SCE contends that the discussion of partial enrollment is ambiguous. SCE seeks clarification on whether we are revising the allowable percentage of non-EEEM for credit enhanced loans.

The Joint Utilities strongly urge the Commission to address broadening the scope of EEEM's, removal of the requirement to competitively bid the Lease Providers for the Small Business Lease pilots, and allowing CAEATFA flexibility to expand the eligible products as well as credit enhancement support structures. The Joint Utilities also seek clarification of the partial enrollment example.

CSE seeks clarification on where the non-residential OBR pilot fits into the decision to allow partial enrollment only for pilots without OBR.

PG&E requested clarification for the partial enrollment of loans for the off-bill pilots and provided suggested language.

We have revised the decision to address PG&E, SCE, Joint Utilities, and CSE request for clarification on the intersection of credit enhancement, partial enrollment, and non-EEEMs. We have also revised the decision to clarify that we are not making changes to the allowable percentage of non-EEEM for credit enhanced loans.

7.2. Comments on the Mid-cycle Review, and ME&O

CSE requests that the Commission direct CSE to file a Tier 1 Advice Letter (AL) identifying the budget allocation for the Financing ME&O reserve account, 30 days after the mid-point review workshop. Given that the first pilot will be up and running for twelve months and the other pilots will be underway, we agree that this request as this is an appropriate time for CSE to file an AL to allocate the remaining$1.3 million of the budget, and grant this request.

SCE recommends that this decision allow for a review of its ME&O funding in Q3 2015 instead of July 2016. We reject SCE's request to review marketing funding in Q3 2015 for the following reasons:

1) In Q3 the pilots will barely be underway, so there is unlikely to be enough information to determine where the $1.3 million marketing reserve is needed.

2) The CPUC has addressed this concern in Attachment 1 to the Disposition Letter for CSE AL 53-A:

"ED finds that per Resolution E-4663 OP 8, the IOUs should use the funds CSE has authorized in the plan to carry out the plan until they exhaust the funds and/or identify other sources of funding within their EE portfolios as PG&E suggested (complying with any fund shifting requirements that are triggered as a result of this re-allocation), and in the future formally request Commission authorization for new funds, if necessary." [44]

3) The disposition letter also identifies that the IOUs have budgets available for local EE marketing, and administrative costs through the EE portfolios. In comments on the

[44] Disposition Approving Advice Letter Requesting Approval of the Energy Upgrade California Statewide Financing Pilots Marketing Education & Outreach Plan, Attachment 1, at 3, 2/3/2015.

marketing plan filing both the Joint Parties and PG&E indicated it is possible to shift funds or leverage other marketing dollars to complete finance marketing tasks identified in the finance marketing plan.[45] SCE did not indicate it could shift marketing funds, but through a data request identified that it had only used 51% of its past EE marketing budget.[46] If SCE exhausts its $116,000 budget prior to the mid-point advice filing, it can make a formal request to the Commission. The formal request should include justification for why SCE cannot shift existing marketing funds from its EE portfolio.

7.3. Comments on the Sunset Date for Pilots, and Coordination of the Energy Financing Line-Item Charge (EFLIC) and the REEL Pilots

CSE is concerned that a financing program could sunset after 24 months and then shut down completely while waiting for the other pilots to run their course and are evaluated. CSE recommends the Commission provide a method for eventually aligning the pilots to maintain continuity. We disagree with CSE's assertion. By virtue of each pilot having independent 24-month terms, each pilot will also have independent midpoint reviews. Therefore pilots cannot shut down while waiting for other pilots to run their course and are evaluated.

PG&E requests that the EFLIC pilot be provided a full 24-month pilot period independent of the REEL Assistance Program. PG&E requests that EFLIC be considered a separate pilot for the purposes of establishing the term of the pilot because the advanced launch of the REEL Assistance Program could otherwise reduce the amount of time the EFLIC pilot is available. CAEATFA

---

[45] "Disposition Approving Advice Letter Requesting Approval of the Energy Upgrade California Statewide Financing Pilots Marketing Education & Outreach Plan", Attachment 1, at 4, 2/3/2015

[46] *Id.*

however requests that the timeline of EFLIC and REEL be aligned because EFLIC will launch after REEL. We disagree with PG&E. D.13-09-044 identifies EFLIC as a "sub-pilot" of the REEL Assistance Program and not as an independent pilot. We see no reason to disturb this characterization. We do not wish to create the odd situation where the umbrella REEL pilot ends, but residential loans customers in PG&E service area can ostensibly continue to choose an EFLIC option for a program that is no longer operating.

7.4. Comments on OBR Tariff/Rate Schedule Revisions

PG&E contends that revisions to OBR tariffs or rate schedules may be necessary to ensure government customers are able to participate in the program. We authorize the utilities to file modifications to their OBR Rate Schedules if needed to accommodate the requirements of government customers.

7.5. Comments on BayREN Multifamily Capital Advance Program

The San Francisco Bay Area Regional Energy Network (BayREN) requests that the BayREN Multifamily Capital Advance Program should be evaluated with the other financing pilots that are the subject of this Decision and be subject to the same terms. All pilots, whichever PA administers some or all of them, should be reviewed on the same terms. We have revised the decision to reflect this.

7.6. Next Steps

Several commenters sought guidance as to when and how the Commission will consider the remainder of CAEATFA's requests. We direct the assigned Commissioner and ALJ to conduct a pre-hearing conference (PHC) within a month of this Decision. In the interim, Commission Staff and the Parties should review the record for evidence related to these remaining issues, and be prepared to discuss in pre-hearing conference statements and at the PHC itself whether/to what extent we should supplement the record in order to resolve these remaining issues.

8. Assignment of Proceeding

Carla J. Peterman is the assigned Commissioner and Todd O. Edmister is the assigned ALJ in this proceeding.

Findings of Fact

1. On March 9, 2015, CAEATFA issued a letter to the Commission's Energy Division Director Edward Randolph proposing modifications to D.13-09-044 Implementing the Energy Efficiency Financing Pilot Programs.
2. Ordinarily the vehicle by which a party would seek to modify a Commission Decision is a Petition for Modification pursuant to Commission Rule of Practice and Procedure 16.4.
3. With respect to sister agencies such as CAEATFA, we have accepted alternative methods of requesting modifications.
4. The March 25, 2015 Revised ACR ruled that the March 9 letter will be treated as a Petition for Modification.
5. CAEATFA does not intend to delay its implementation processes during the Commission's deliberations. CAEATFA will continue to develop the programs in alignment with the structures authorized in D.13-09-044 so as not to further delay the launch of the Pilot Programs.
6. Partial enrollment of loans would enable lenders to offer loans for broader project scopes thereby encouraging a borrower to take on retrofits that help achieve greater energy savings.
7. The allowance of flexibility for partial enrollments should not extend to finance pilots with the on-bill repayment feature.

8. Flexibility for partial enrollments only applies to the off-bill finance pilots.

9. D.13-09-044 states that nonresidential OBR pilot "be made available to all sizes of nonresidential utility customers."

Conclusions of Law

1. The March 9 letter largely conforms to Rule 16.4's requirements.

2. The 24-month term of each pilot should align with the enrollment of the first loan in each pilot launch to allow each pilot to have an independent 24-month schedule initiated by the enrollment of the first loan.

3. The Commission should eliminate the December 2015 "sunset" date for the finance pilots adopted in D.13-09-044.

4. The allowance of flexibility for partial enrollments should not extend to finance pilots with the OBR, and flexibility for partial enrollments only applies to the off-bill finance pilots.

5. Government entities are eligible borrowers under the nonresidential OBR pilot.

6. Ordering Paragraph 5 of Resolution E-4680 should be modified to read as follows:

> Within 30 days of this decision, Commission staff in consultation with CAEATFA will determine whether revisions to on-bill repayment tariffs (OBR Tariffs), are needed or not, and will notify Pacific Gas and Electric Company, San Diego Gas and Electric Company, Southern California Edison Company, and Southern California Gas Company (IOUs) of whether or not the IOUs need to re-file their OBR Tariffs. Within 30 days of Commission staff directing them to revise (or not) revise the OBR Tariffs, the IOUs shall file Tier 2 advice letters containing: (1) information technology cost information as described in OP 17 of D.13-09-044, and (2) if previously directed by staff, revised OBR Tariffs.

7. Ordering Paragraph 17 of D.13-09-044 should be modified to read as follows:

  a. Within thirty (30) days of the date of this decision, the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) and Commission staff will tell Pacific Gas and Electric Company, San Diego Gas and Electric Company, Southern California Edison Company, and Southern California Gas Company (IOUs) whether or not to revise the OBR Tariffs. The IOUs shall each file a Tier 2 Advice Letter (AL) within 30 days after staff notification, if instructed to do so. The IOUs shall each file a Tier 2 AL supporting an updated estimate of the Information Technology (IT) changes necessary to implement On-Bill Repayment and other features of the authorized finance pilots (IT advice letters), and serve the IT AL on the service list for this proceeding within 30 days of receipt of staff instructions. The IT AL shall include information about economies achieved by integrating these upgrades with previously funded and scheduled IT capital projects.

  b. Total allocations approved as a result of the IT advice letters shall be limited to IT-related costs in whole, or part, applicable to administration of the EE Finance pilots and related data collection and production required to administer the Financing Program. If an IOU requests funds in excess of the allocations set forth in Section 12 for Information Technology (Line 6b), then the amounts must be supported by sufficient documentation and explanation so as to be determined reasonable.

8. Future amendments to the OBR Tariffs can be effectuated through formal submissions to the Commission through the AL process, described in detail in Commission GO 96-B, which allows for public notification and review, and approvals from Commission Staff that form that basis for authority of

programmatic features. The IOUs may also seek approval of tariff changes with their funding applications.

O R D E R

IT IS ORDERED that:

1. California Alternative Energy and Advanced Transportation Financing Authority's Proposed Modification to Decision 13-09-044 (Energy Efficiency Financing Pilots) is partially approved with modifications.

2. Southern California Edison Company, Pacific Gas and Electric Company, Southern California Gas Company, and San Diego Gas & Electric Company (collectively IOUs) energy efficiency finance pilots shall each operate for a minimum of 24 months, beginning at the point that each pilot program enrolls its first loan, and shall provide for support of loans made under each pilot for the duration of loan terms even if/when a pilot ends.

3. California Alternative Energy and Advanced Transportation Financing Authority shall administer only one energy efficiency finance pilot adopted in Decision 13-09-044 for all utilities.

4. The Commission shall eliminate the December 2015 "sunset" date for the finance pilots adopted in Decision 13-09-044.

5. California Alternative Energy and Advanced Transportation Financing Authority may need to secure resources that impact the longevity and appropriate oversight of the energy efficiency finance pilot programs.

6. Therefore, Ordering Paragraph (OP) 5 of Resolution E-4680 will be modified to read as follows:

> Within 30 days of this decision, Commission staff in consultation with CAEATFA will determine whether revisions to on-bill repayment tariffs (OBR Tariffs), are needed

or not, and will notify Pacific Gas and Electric Company, San Diego Gas and Electric Company, Southern California Edison Company, and Southern California Gas Company (IOUs) of whether or not the IOUs need to re-file their OBR Tariffs. Within 30 days of Commission staff directing them whether or not to revise the OBR Tariffs, the IOUs shall file Tier 2 advice letters containing (1) information technology cost information as described in OP 17 of D.13-09-044 and (2) if previously directed by staff, revised OBR Tariffs.

7. Ordering Paragraph 17 of D.13-09-044 is modified to read as follows:

    a. Within thirty (30) days of the date of this decision, the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) and Commission staff will tell Pacific Gas and Electric Company, San Diego Gas and Electric Company, Southern California Edison Company, and Southern California Gas Company (IOUs)whether or not to revise the OBR Tariffs. The IOUs shall each file a Tier 2 Advice Letter (AL) within 30 days after staff notification, if instructed to do so. The IOUs shall each file a Tier 2 AL supporting an updated estimate of the Information Technology (IT) changes necessary to implement On-Bill Repayment and other features of the authorized finance pilots (IT AL), and serve the IT AL on the service list for this proceeding within 30 days of receipt of staff instructions. The IT ALs shall include information about economies achieved by integrating these upgrades with previously funded and scheduled IT capital projects.

8. Total allocations approved as a result of the IT AL shall be limited to IT-related costs in whole, or part, applicable to administration of the EE Finance pilots and related data collection and production required to administer the Financing Program. If an IOU requests funds in excess of the allocations set forth in Section 12 for Information Technology (Line 6b), then the amounts must be supported by sufficient documentation and explanation so as to be determined reasonable.

9. Government entities are eligible borrowers for energy efficiency finance pilots under the nonresidential on-bill repayment without credit enhancement pilot.

10. Southern California Edison Company, Pacific Gas and Electric Company, Southern California Gas Company, and San Diego Gas & Electric Company's (collectively IOUs) future amendments to the OBR Tariffs shall be effectuated through formal submissions to the California Public Utilities Commission through the Advice Letter process. The IOUs may also seek approval of tariff changes with their funding applications.

11. 30 days after the mid-cycle review, the statewide Marketing, Education, and Outreach (ME&O) coordinator shall file a Tier 1 Advice Letter identifying the budget allocation for Financing ME&O, pursuant to the Disposition Letter Approving Center for Sustainable Energy Advice Letter 53-A.

12. All energy efficiency finance pilots adopted in Decision 13-09-044, whichever Program Administrator administers some or all of them, shall be reviewed on the same terms.

13. Southern California Edison Company, Pacific Gas and Electric Company, Southern California Gas Company, and San Diego Gas & Electric Company's (collectively IOUs) may file modifications to their OBR Rate Schedules if needed to accommodate the requirements of government customers.

14. The Assigned Commissioner and Administrative Law Judge shall conduct a prehearing conference within a month of this Decision.

15. Application 12-07-001 remains open.

This order is effective today.

Dated ____________________________, at San Francisco, California.